MONTANA LEGISLATIVE HISTORY

Chapter 502 ~~19~~ 2001

Bill H 273 S _____ Original bill & history ___C

H. Committee on Taxation			S. Committee on Finance		
Hearing Date(s)	1-19	✓C	Hearing Date(s)	4-3	✓C
	2-8	✓C		4-5	✓C
Appropriations	3-1	✓C			C
	3-12	✓C			C
Date Out		C			

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

Housing Trust Fund that needs a start and will over time be a steady source of money. This is not suggested to solve all of the problems. The $1 billion mentioned is not focused money the way this money is. **REP. BALES** asked if the state was familiar with the $1 billion and what it would do. **Bruce Brensdal** said Fannie May is not a government agency. They recently opened a partnership office in Montana and have committed to bringing around $1 billion to the state. What this will be used for is unknown, but Fannie May has many different programs.

CHAIRMAN STORY asked if the money could be used for administration, as the bill states, "The funds in this account must be used for programs authorized." **REP. ERICKSON** said he is not completely sure, but they want to work to make sure the reserve fund does not go completely broke.

Closing by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 62.4}

REP. ERICKSON said the issue is need of affordable housing. Unfortunately this bill and the one to follow will be such a small part in meeting this need.

HEARING ON HB 273

Sponsor: REPRESENTATIVE ERICKSON, HD 64, Missoula

Proponents:
Patti Keebler, Montana AFL-CIO
Tim Davis, Montana Smart Growth Coalition
Steve Yeakel, Montana HRDC Directors
Anne Hedges, Montana Environmental Information Center
Wendy Young, WEEL
Roger Halver, Montana Association of Realtors
Sharon Hoff-Brodowy, Montana Catholic Conference
Briana Kerstein, Montana People's Action
Representative Gail Gutsche
Judy Smith, WORD
Kate Cholewa, CPACC
Ren Essen
Julie Ebiledo, Human Resource Development Council Directors Associations
Representative Trudi Schmidt

Opponents: None.

Opening Statement by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 0.1}

REP. ERICKSON said there is money available through the Federal program of Temporary Assistance to Needy Families (TANF) that should be used to help families for housing. One of the reasons they wanted to keep this bill separate from the other is because TANF funds cannot be used directly for loans.

Proponents' Testimony:

{Tape : 2; Side : A; Approx. Time Counter : 3.4}

Judy Smith said the Housing Trust Fund is a tool for those concerned about meeting housing needs for low income families. **EXHIBIT(tah15a06)** Housing has become more of an issue now when we talk about self sufficiency. She read from the exhibit and the Center on Budget and Policy Priorities, which stated, "Growing recognition by state policy makers that affordable housing can be an important foundation for economic self sufficiency that merits the expenditure of funds traditionally reserved for income maintenance and employment and training functions." She does not want to take money away from income maintenance, employment, and training, but maybe there is now a different priority for TANF to go toward housing. Other states have used TANF money for affordable housing. The welfare check in Montana is small, so renting and home ownership is very difficult.

Ren Essen said the reason they are looking for multiple funding sources for the Housing Trust Fund is that different sources have different strings attached to serve different populations. The TANF funding would be able to serve TANF recipients, which are the lowest income people. There are stipulations around TANF being used for direct construction. They want to provide home ownership and individual development accounts, which they have been very successful with by promoting good savings habits through providing a match of $3.00 for every $1.00 a family saves. They use other models around the country to try to achieve home ownership for TANF recipients, especially for those who are moving up the economic ladder. They need to be creative when looking at the TANF money and the way it can be used.

Briana Kerstein, Montana People's Action, said while families over the last few years have been moving off of the welfare system, they have not been moved out of poverty. This money can be used to create more long-term solutions to keep them out of

poverty. Home ownership is a key step toward providing families with what they need to stay out of poverty and become self sufficient.

Kate Cholewa, Center for Policy Analysis & Community Change, said the block grants are a fixed amount of money from the Federal government and from the state. In 1997, 11,000 families were on the caseload, and there is 4600 today. The system's expenditures for maintenance has doubled in this time. Last session they had $38 million in unspent money on these programs because they have not been spending block grants. As a result of the money not being able to be spent, FAIM Phase 2 was developed to try to find ways to spend this money, which is $29 million. The money is there if the legislature should decide to spend it. Re-authorization is due for the block grant at the Federal level in 2002, so there is a sense to spend the money or lose the money.

Wendy Young, WEEL, said this is a good idea to include in FAIM Phase 2, and families believe this is something that would help them move from poverty into self sufficiency.

Roger Halver, Montana Association of Realtors, said they feel the $3.5 million could be used as a valuable tool for low income families to get into affordable housing. They are strongly against any real estate transfer tax to fund the administrative costs, as the property owners of Montana are already under a heavy property tax burden.

Patti Keebler, Montana AFL-CIO, said they also support this bill for reasons stated in earlier testimony.

Tim Davis, Montana Smart Growth Coalition, said they are also in support of this bill for reasons stated earlier.

Julie Ebiledo, Human Resource Development Council Directors Associations, said anything that supports low income housing is something we need.

Sharon Hoff-Brodowy, Montana Catholic Conference, said they hope to work with the TANF money and FAIM Phase 2 program so housing concerns are met.

REP. TRUDI SCHMIDT said she has been on the interim committee working with DPHHS. The TANF money is being used in other states for these kinds of needs and encourages the committee to consider this for Montana.

Opponents' Testimony: None.

Informational Testimony:

Hank Hudson, Administrator of Human Services Division, DPHHS, said they recognize housing is a major issue for low income Montanans. This is an issue where there will be a lot greater demand for the money. They came up with a proposal of FAIM Phase 2 to use the TANF money, but there are other ideas about the best way to use this money. FAIM Phase 2 proposes to put some of the money from block grants directly into the pockets of the poorest people. They also wanted to address the barriers of the people who remain on welfare and invest money into the people who left public assistance but are teetering on the edge. While there is a law against using TANF funds to purchase real estate or construct buildings, there are a number of ways states are using to advance housing issues.

Bruce Brensdal, Executive Director, Montana Board of Housing, said some of the activities that may be eligible for TANF money may not be an acceptable use according to the statute. The administrative costs of operating this program are not an acceptable use of this money, and this should be considered. The activities the TANF money brings with it are more labor intensive, and the fiscal note does not consider this.

Questions from Committee Members and Responses:

{Tape : 2; Side : A; Approx. Time Counter : 41}

REP. BALYEAT asked if it would do any good if HB 273 was passed but not HB 57. **Ren Essen** said passing TANF is a good first step for targeting the lowest income people, but we need to be thinking about other avenues for the trust fund because there is a lot of need at all income levels. **REP. BALYEAT** asked if the TANF money is available each year. **Kate Cholewa** said her understanding of the bill is that it is for a one-time transfer. There is going to be a reauthorization for block grants for welfare in 2002, so there will always be Federal and state money that has to go into these type of programs. It unknown how much. **REP. BALYEAT** asked if TANF money is not available, will there be a commitment to locate another pot of money instead of asking the legislature. **Ren Essen** said there are a lot of good programs at the state level, but there is a lot of need. There are statistics that show providing housing does stabilize and move people into self sufficiency. **REP. BALYEAT** asked if the TANF is no longer available for the next biennium and another pot of

money cannot be located, is there a commitment that the legislature will not be asked for continued funding. **Ren Essen** said they are talking about creating self sufficiency within the trust fund by using sources that make sense.

REP. CARNEY pointed out notes 2 and 3 on the fiscal note and asked for clarification as to what maintenance of effort means. **Kate Cholewa** said in order to receive the Federal money, the state has to put up a share, which is currently $15.5 million. Maintenance of effort has to do with the spending levels of the state in 1994. It has to be at least 75% of what was spent in 1994 and has to spent in order to get the Federal money.

REP. BALES asked if this fund would have to be amended to set up two funds within one fund to keep the uses of monies separate since TANF money cannot be used for long-term loans. **REP. ERICKSON** said they have to keep the money separate, but this should not be a difficulty since the bill asks for a half-time secretary. The TANF money is spent as they prove it is being used, so there does have to be a dual accounting system. **REP. BALES** asked if there would then not be any money in the fund from TANF but it would be a reimbursement and they would actually need other dollars in the fund to be able to utilize TANF. **REP. ERICKSON** said HB 57 does not have to be passed in order for HB 273 to be effective. **Hank Hudson** said if the legislature appropriated these funds to the trust fund, the money could possibly be drawn and placed into the trust fund. The interest from this money would have conditions. The block grant sits in Washington, and we do not draw on it until we use it, so the creation of the trust fund would allow for a withdrawal at that point. **REP. BALES** asked if some of the state money would be asked to be used for the management of the fund. **REP. ERICKSON** said they did not want to put state money into this, but should the committee wish to put state money into this, this could be considered.

REP. JACKSON asked if there was a possibility that by owning a home, the mobility of these lower income people might be impeded. **Hank Hudson** said they are proposing to expand the ability to help low income working families in FAIM Phase 2. The ownership of a home could be nothing but positive overall.

REP. BALYEAT asked if it was true in Missoula that they count homeless who are in transition of moving from one place to another. **Judy Smith** said someone is counted if they do not have a place of address. **REP. BALYEAT** asked if it was correct that part of the reason Missoula has a higher homeless count compared

to other cities is because they are doing a better job counting. **Judy Smith** said she does not know what the methodology was for that survey in other cities, but in Missoula, they spend a lot of time trying to track people. **REP. BALYEAT** asked if it is possible local organizations dealing with homeless people are all doing a better job of counting and they are redefining what it means to be homeless and that is why the homeless numbers in Montana have increased, or if it is because the homeless projects are not working very well. **Judy Smith** said some believe the welfare reform program was not very successful, because it put a bunch of families on the street, so homelessness has gone up as a result.

REP. BRANAE asked if it would be possible to use TANF money to buy a home without this program. **Hank Hudson** said it would be very difficult to use TANF money to purchase a home. It would require some administrative strategy to develop alternatives. You cannot just buy or construct a house, so there would have to be other ways to use the money toward affording a home.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 64.2}

REP. ERICKSON said some concerns have been addressed by Bruce Brensdal in testimony. He hopes there can be conversations to amend this bill to address this. There is money there to spend, but a lot of people are going after the money, and the question is who will get the money. This is a way to help people in poverty to move into homes.

There was discussion on appointing a subcommittee for HB 143 regarding pass-through entities and volunteers were taken.

EXECUTIVE ACTION ON HB 37

{Tape : 2; Side : B; Approx. Time Counter : 4.1}

Motion: **REP. DALE** moved that **HB 37 DO PASS.**

Discussion:

EXHIBIT(tah15a07) **Jeff Martin** explained the amendments.

Motion: **REP. ERICKSON** moved that **AMENDMENTS DO PASS.**

Motion: **REP. BALYEAT** moved that **THE BILL BE AMENDED FROM $1.6 MILLION TO $.5 MILLION.**

Discussion: **REP. BALYEAT** said the amount should be decreased because they need some of the Section 8 money and it will probably pass through the system with the decreased amount of money. **REP. ERICKSON** said he believes with the argument that it would be useful to have the flexibility with this money and that it would probably make the bill more likely to pass through the system, so he will reluctantly consider this as a friendly amendment.

Motion/Vote: **REP. BALYEAT** moved that **AMENDMENT DO PASS. Motion carried unanimously.**

Motion/Vote: **REP. ERICKSON** moved that **HB 57 DO PASS AS AMENDED. Motion carried 18-2 with Esp and Story voting no.**

EXECUTIVE ACTION ON HB 273

Motion: **REP. ERICKSON** moved that **HB 273 DO PASS.**

Discussion: **REP. ERICKSON** said in recent years other states have been going toward using TANF money in this way, and it is working. This money will assist families with getting into home ownership. If this bill is passed, it will go to appropriations. **REP. ESP** said there are a lot of people going after this same pot of money, so if it comes down to a choice between mental health and housing, he chooses mental health. **Judy Smith** said the money for mental health has already been removed from the pot. There is around $60 million of TANF money to use, so this would not be disadvantaging any other important use. **REP. ANDERSEN** asked what happens to TANF money that is not used. **Judy Smith** said TANF is a block grant, so after a certain period of time if it is not used it is lost, plus we may not get authorized the same amount of money again. The Department made a decision to create a large amount of money and hold it, so now they have to spend it because reauthorization is in 2002. **REP. ANDERSEN** asked if spending of this money is not authorized does the Department have the latitude to decide how it might be spent. **Judy Smith** said the Department has put together FAIM 2 which attempts to spend the money. The Department agrees there is money to spent and that the legislature is the appropriate place to have the discussion of how to best use these TANF dollars. The Department did not oppose this idea. **REP. ESP** asked what the purpose of these particular funds is. **Ren Essen** said it is on the handout she

passed around. They have been discussing bridge loans to landlords for additional assistance with security deposits, rental emergency assistance loans to TANF eligible families, and downpayment and second mortgage assistance for first-time home buyers. **REP. ESP** asked if anybody up to 150% poverty can use this money but it is proposed to increase this to 200%. **Ren Essen** said this would be the state's discretion to determine this. 200% is what the Federal government sets. **REP. SOMERVILLE** asked for a further explanation of TANF. **REP. JACKSON** said it covers the most basic needs first and then expands from there. **REP. SCHMIDT** said TANF funds can be used for a variety of things, but what we are having to do now is decide on the policy of how the funds can be used, and they are used all over the country for transportation, day care, and housing problems. Appropriations will decide how this TANF money will be spent. **REP. SOMERVILLE** asked if there is $60 million in the fund and this bill is looking at $3.5 million, what are the other requests for this money. **REP. ERICKSON** said the $60 million is not there anymore, and it is closer to $10 million that appropriations is still working with. **REP. SCHMIDT** said she had a bill to deal with transportation, and there have been some to deal with daycare, but she is unsure where the list of bills are in the process. **REP. BALYEAT** said he is going to support this bill because there will be more bang for the buck through this program by using it as a revolving loan program. **REP. STORY** said he wished he had the bill list asking for the TANF funds, because there are a lot of programs that are currently general fund programs that people are trying to fund with TANF money. He asked how many of the proposals are new programs versus programs being shifted to the TANF funds. **REP. SCHMIDT** said a lot of the bills have been modeled after what other states have done with their TANF money. **REP. SOMERVILLE** said families who have jobs still have to pay rent, child care, and insurance. This is good idea to hopefully help some of the families with these issues. **REP. ESP** said the income standards for this revolving loan program are connected to median income in the community.

Motion/Vote: **REP. ERICKSON** moved that **HB 273 DO PASS. Motion carried unanimously.**

HOUSE TAXATION
Date: 2/8/01
Exhibit #: 6

Younkin, Todd

From: Younkin, Todd
Sent: Monday, October 23, 2000 6:51 AM
To: 'Mignon R Waterman'
Subject: RE: Section 8 Funding Information Request

Sen Waterman,

Here's the balance since fiscal '93. It looks like not much has changed since '94 (a large surplus was left in '94, with little growth/decline since then) Based on just these numbers, it would stand to reason the account could probably handle a shift of funds, however, I need to see what the agency would say the effects would be, and if they have any projections for needing the whole account balance in the future.

'93: $266.00
'94: $3.22M
'95: $3.45M
'96: $3.34M
'97: $3.68M
'98: $3.71M
'99: $3.65M

Before I give George Warn a call, I just wanted to make sure - The $2M would be a one-time shift, correct?

Thanks,

Todd

HOUSE TAXATION
Date: 2/8/01
Exhibit #: 7

EQUAL HOUSING OPPORTUNITY

Funding the Montana Housing Trust Fund

With housing prices at an all-time high (the average price for a new home in Montana is $155,000), and with both rural and urban communities seeing working families moving out of state for jobs that pay better and for houses they can afford, the 1999 State Legislature took the first step towards new solutions when they created the Montana Housing Trust Fund. The 2001 State Legislature now has the opportunity to identify specific sources to fund the Housing Trust Fund.

There are currently two bills – HB 273 and HB 57 – that allocate funding into the Housing Trust Fund. The bills identify two sources of funding, which target different income populations, and can be used for different types of housing initiatives. Together, these sources will increase housing opportunities for low and moderate income Montanans.

HB 273: How TANF funds can be used

TANF cannot be used for construction-related expenses, and must be used to benefit families who are TANF-eligible (determined by the stat, no higher than 200% of Federal Poverty Level). Uses of TANF that will help very low-income families access affordable housing opportunities include:

- *Bridge Loans* to landlords on behalf of TANF-eligible families who need additional assistance with security deposits
- *REAL*: Rental Emergency Assistance Loans to TANF-eligible families who need short-term rental assistance
- *Down Payment and Second Mortgage Assistance* for first home buyers, in the form of very-low interest loans
- *Housing & Financial Counseling* to help TANF-eligible families stabilize their housing and to help recover the debt established by loans from the Housing Trust Fund revolving loan fund

In order for the Housing Trust Fund to access TANF funds, additional language needs to be added to the State Code (Sec. 90-6-134) regarding the uses of Housing Trust Fund.

HB 57: How Section 8 reserves can be used

This past year, the House Taxation Interim Committee recommended accessing a portion Section 8 reserves for the Housing Trust Fund. Section 8 reserves are a flexible funding option because they do not have the same income and usage restrictions as does the TANF reserves. Section 8 funds can meet a range of housing needs:

Will Weaver answered that the salary averages in Montana rank in the top 3rd of the states so he doesn't think that students would be attracted to other states based on more attractive salaries.

Rep. Kaufmann asked what the difference in training is for a dental assistant vs. dental hygienist and how the two relate.

Will Weaver answered that there are a number of courses that both need to take and some of the equipment will be utilized by both programs. He then referred the question.

Carmen Perry answered that a dental assistant assists the dentist in certain procedures. The dental hygienist is an oral hygiene instructor and deals greatly with periodontal disease, etc. They have their own responsibilities and do not usually work hand in hand with the dentist.

{Tape : 2; Side : B; Approx. Time Counter : 22.6}

Rep. Davies asked why they are not getting more of the positions filled by people from out of state.

Will Weaver answered that he doesn't think there is an over supply of dental hygienists and that may be one reason why.

Closing by Sponsor:

Rep. **Bill Thomas** closed the hearing on HB 395.

HEARING ON HB 57 AND 273

Sponsor: Rep. Ron Erickson, HD 64, Missoula

Proponents: Deborah Halliday, Home WORD; Ren Essene, Home WORD; Brianna Kirstine, Montana Peoples Action; Kate Choleva, Center for Policy Analysis and Community Change; Tim Davis, Executive Director, Montana Smart Growth Coalition; Roger Halver, Montana Association of Realtors; Steve Yeakel, Montana HRDC Directors Association; Sharon Hoff-Broadway, Montana Catholic Conference; Patty Keebler, Montana AFL-CIO

Opponents: Bruce Sprensol, Administrator, Housing Division; Executive Director, Board of Housing; Lynn Moon, Housing Consultant in Kalispell; Susan Moyer, Community Development Director City of Kalispell

Informational Witness: **Sen. Chris Christieans**, SD 23, Great Falls

Opening Statement by Sponsor:

Rep. Ron Erickson opened the hearing on HB 57 and HB 273 which would allow a revolving loan account for affordable housing and the two bills work together. **EXHIBIT(aph47a07)** attached

Proponents' Testimony:

Deborah Halliday, Home WORD, stood in support of both HB 57 and HB 273 stating they have tried to coordinate supporters in the affordable housing community.

Ren Essene, Home WORD spoke in favor of HB 57 and HB 273. **EXHIBIT(aph47a08)** attached

Brianna Kirstine, Montana Peoples Action spoke in favor of the two bills and told the committee why they want to see these projects happen.

Kate Choleva, Center for Policy Analysis and Community Change spoke in favor of HB 273 and about the spending mechanism of the bill which is the TANF money going in.

Tim Davis, Executive Director, Montana Smart Growth Coalition spoke in favor of HB 273 and 57 and the need for affordable housing.

{Tape : 3; Side : A; Approx. Time Counter : 27.1}

Roger Halver, Montana Association of Realtors spoke in favor of HB 273 and HB 57 and pointed out these funds are needed to get the revolving loan account going and the Montana Board of Housing is going to administer the program.

Steve Yeakel, Montana HRDC Directors Association spoke in favor of both HB 273 and 57.

Sharon Hoff-Broadway, Montana Catholic Conference spoke favorably of HB 273 and 57 and stated housing is a high priority for the organization she represents.

Patty Keebler, Montana AFL-CIO stood in favor of both HB 273 and 57 and encouraged the committee to support both of the bills for Montana's working families.

Opponents' Testimony:

Bruce Sprensol, Administrator, Housing Division; Executive Director, Board of Housing spoke as an informational witness on HB 273 but rose in opposition to HB 57. He then distributed his written testimony. **EXHIBIT(aph47a09) EXHIBIT(aph47a10) EXHIBIT(aph47a11) EXHIBIT(aph47a12) EXHIBIT(aph47a13) EXHIBIT(aph47a14) EXHIBIT(aph47a15)** all attached

{Tape : 3; Side : B; Approx. Time Counter : 10.8}

Lynn Moon, Housing Consultant in Kalispell stated that she fully supports the creation of the affordable housing loan account but is opposed to the funding source identified in HB 57. However, she was not familiar with HB 273 and chose not to speak on it.

Susan Moyer, Community Development Director City of Kalispell spoke against HB 57 and its funding source.

Informational Witness:

Sen. Chris Christiaens, SD 23, Great Falls appeared as an informational witness for HB 273 and HB 57 and stated he was on the original Housing Task Force.

Questions from Committee Members and Responses:

Rep. Buzzas asked why using the reserves they cannot fund the current programs they are funding under Section 8.

Bruce Brensol replied that to operate the Helena office along with expenses and contracting field agents within the communities is a little over $2 million dollars.

Rep. Buzzas asked what the total amount of money is in Section 8 Housing.

Bruce Brensol answered that it is around $44 million. They get paid an annual fee from HUD to operate the Section 8 Program and that he had mis-spoken that they receive approximately $1.7 million annually from HUD to operate the program itself. However, that is not sufficient to actually operate the program and have to refer to the reserve account to pay for the additional costs.

Rep. Kaufmann asked about the concept of the revolving loan account.

Rep. **Erickson** answered that the concept of the loan account is that the money will come back and if it is loaned out on a ten year basis then only one-tenth of it comes back the first year.

Rep. Kaufmann asked if the Section 8 reserves are around $2.5 million, is it possible for a future legislator to indicate this was too much and it should be given back to Section 8.

Rep. Erickson answered that this is a one time only request.

{Tape : 4; Side : A; Approx. Time Counter : 3.6}

Rep. **Kaufmann** if HB 57 had the support of the building industry.

Rep. **Erickson** answered he could not recall.

Rep. **Jayne** asked about the additional costs to the program.

Bruce Brensol answered that he did not have a specific breakdown but it was anywhere from paying for their contract administrators to go out in the field to finding qualified TANFS which takes a lot of time and travel. He then stated he could get specific numbers at a later date.

Rep. **Kasten** asked if the eligibility for the revolving loan accounts are the same as Section 8 loans.

Ren Essene answered that administrative rule-making and the Appropriations Committee would decide what level of TANF eligibility would be assigned.

Rep. **Kasten** commented on the poverty level in rural counties.

Rep. **Fisher** asked if the houses would be modular and built by the prison system.

Rep. **Erickson** stated this was a different bill.

Rep. **Fisher** asked if he supports TANF funding for this program.

Hank Hudson stated that they do support the use of TANF funds for housing purposes for low income people.

Rep. **Lewis** asked about the line item that was put in HB 2 for housing but asked if it was designated to the trust fund and if there needed to be a change in order for this to work.

Hank Hudson answered that the amendment that the sponsor suggested is not really needed and that he had been waiting for this hearing to receive direction from the legislature as to where to put the money.

Closing by Sponsor:

Rep. **Erickson** closes on HB 273 and HB 57.

Exhibit 7

Younkin, Todd

From: Younkin, Todd
Sent: Monday, October 23, 2000 6:51 AM
To: 'Mignon R Waterman'
Subject: RE: Section 8 Funding Information Request

Sen Waterman,

Here's the balance since fiscal '93. It looks like not much has changed since '94 (a large surplus was left in '94, with little growth/decline since then) Based on just these numbers, it would stand to reason the account could probably handle a shift of funds, however, I need to see what the agency would say the effects would be, and if they have any projections for needing the whole account balance in the future.

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Thanks,

Todd

Neighborhood Housing Services, Inc. OF GREAT FALLS

509 1ST AVENUE SOUTH • GREAT FALLS, MONTANA 59401-3604 • PHONE (406) 761-5861 • FAX (406) 761-5852

February 26, 2001

House Appropriations Committee
PO Box 201706
Helena, MT 59620-1706

Dear Members:

I am writing in support of HB 273 allocating $3.5 million in TANF funds to the Housing Trust Fund revolving account. These monies will leverage many times that amount from private sources when they are used to provide the "gap" financing needed for new housing construction or home ownership projects. Without some lower interest rate funds, housing for very low to moderate income Montana families cannot be provided.

The Montana Board of Housing has demonstrated its ability to be a good steward of funds for housing for Montana families. In the 18 years I have been Director of Neighborhood Housing in Great Falls they have never been in a financial crisis or looking for a 'bail out' from State Government. Instead, in a business like way they have continued to expand their programs to serve more and more needy families in more communities, while remaining financially solvent.

I would urge you to entrust MBOH with the $3.5 million in TANF monies.

Sincerely,

Nancy M. O'Brien

Nancy M. O'Brien
Executive Director

NMO/grb

EQUAL HOUSING OPPORTUNITY

Revolving Loan Account: Investing in Montana's Economy

1. Helping to Create High-Wage Jobs

Investing $4 million in the Revolving Loan Account for housing, Montana can expect :*

- 1,197 jobs from increased construction activity
- $18.72 million in wages for Montana families
- The new wage earners will pay more than $680,000 in income taxes annually
- For every dollar invested through the Revolving Loan Account, $9.00 of additional public and private funds are leveraged into Montana's economy

*Estimates based on *Montana Housing Partnership Report, 1999*, and assumes 75% construction-related activities, which is more than the current proposed funding streams will allow.

2. Assisting Montana Families

Investing $4 million in the Revolving Loan Account for housing will assist an estimated:

- 2,000 low and moderate income families with rental assistance
- 200 low and moderate income families with homeownership opportunities

3. Partnering Existing Resources

Montana can create flexible housing assistance through HB 273 (taps $3.5 million of unspent TANF reserves) and HB 57 (taps $1/2 million of unspent Section 8 reserves).

HB 273 Can be used for low-interest loans to TANF-eligible families for *homeownership* (through down payment and second mortgage assistance); for *rental assistance* (through short-term rental assistance loans and security deposit loans); and for *housing counseling.*

HB 57 Can be used for low-interest loans to support *new construction* of affordable rental and homeownership properties; *land acquisition* and *energy and safety upgrades* for existing homes; and *homeownership* (through down payment and second mortgage assistance).

4. A Win-Win for Everyone

Investing in the Revolving Loan Account is a win-win for everyone. Low and moderate income families get sorely needed assistance to purchase a home they can afford, or ensure their rent is affordable, and builders and developers get assistance to develop housing that Montana's families can afford to live in.

Funding the Revolving Loan Account for Housing:
No new money, just efficient use of existing resources

Appropriations—March 1, 2001

EQUAL HOUSING OPPORTUNITY

The Revolving Loan Account: Efficient Use of Existing Resources

With funding from HB 273 and HB 57, the **Montana Revolving Loan Account for Affordable Housing** (also referred to as a Housing Trust Fund) will provide millions of dollars worth of low-interest loans to low income families. **HB 273** will provide homeownership and rental assistance to TANF-eligible families; **HB 57** will assist with loans for new construction and improvements on existing housing stock. It's critical that both funding streams be accessed to allow local communities the flexibility to address their housing crises.

HB 273: *$3.5 million of TANF reserves for TANF-eligible families*

Uses include: *Low-interest loans* to TANF-eligible families for:

* homeownership- down payment and second mortgage assistance
* rental housing- short-term rental assistance loans and security deposit loans

and *Housing Counseling* to secure loan repayments.

HB 57: *$0.5 million of Section 8 reserves for new construction*

Does not redirect Section 8 funds already in use – taps an existing reserve

Uses include: *Low-interest loans* to support new construction of affordable rental and home ownership properties, land acquisition and energy and safety upgrades for existing homes. Also includes *low-interest loans* for down payment and second mortgage assistance to low-income homebuyers.

Appropriations Committee Action Steps

1. **Pass HB 57**

2. **Amend and pass HB 273 to allow for TANF-related uses**

   The Revolving Loan Account (MCA 90-6-133) currently does not mention TANF-related activities. Language needs to be added to:

   - Define TANF-eligible families and TANF-eligible activities
   - Allow for housing counseling activities, such as education on budgeting, establishing good credit, training on the entire purchasing process. Housing counseling is recognized throughout the affordable housing industry as critical to foreclosure prevention and to ensure the repayment of loans.

3. **When HB 2 is under consideration, specify $3.5 million of TANF reserves and $0.5 million of Section 8 be transferred into the Montana Board of Housing Revolving Loan Account**

   Language needs to be added to HB2 to designate that the $3.5 million in TANF reserves be *transferred* to the Montana Board of Housing. MBOH has the *experience* and *expertise* needed to run effective housing programs.

Funding the Revolving Loan Account for Housing:
No new money, just efficient use of existing resources

REP. BUZZAS asked if they could wait until tomorrow. The sponsor was looking at possible amendments to do some of the things **REP. LINDEEN** talked about. Could we postpone this.

CHAIRMAN VICK said they would wait one day.

EXECUTIVE ACTION ON HB 57

REP. MCCANN asked if HB 57 and HB 273 were addressed in HB 2. **REP. LEWIS** said we addressed HB 273 and funded it in HB 2. There is a potential amendment on HB 273. But HB 57 isn't going to go anywhere because people representing the Governor said they were opposed to the bill.

REP. HAINES spoke about HB 57. He said he had not been able to get any follow up information about the bill. **REP. LEWIS** said the Division Administrator for the Board of Housing was the one who testified. **REP. LEWIS** said he talked to Mike Foster. REP. LEWIS said he was in favor of tabling the bill. It is a bad choice to make when we have that section 8 reserve, whether the Governor is there or not. They did present testimony to that effect. **REP. HAINES** said he would still like to find out where the administration stands on this. He had a lot of feedback from his constituents, and this offered good potential to help some folks. He would like a shot at it before it is thrown away.

EXECUTIVE ACTION ON HB 324

Motion: **REP. MCCANN** moved that **HB 324 BE TABLED.**

REP. MCCANN said HB 324 is licensing for drop in day care. Does anyone have any amendments to direct funding of that bill? He asked for discussion.

EXECUTIVE ACTION ON HB 273

CHAIRMAN VICK said that while the committee was looking at their notes, **REP. LEWIS** and **Taryn Purdy** had found a way to handle HB 273 so they will do HB 273 next.

REP. LEWIS said we needed an amendment to HB 273 to allow them to use TANF (Temporary Assistance for Needy Families) money. We have to make sure that the money is used directly for TANF recipients. It seemed to be an agreed upon amendment, and we do have enough TANF money in HB 2.

Motion: REP. LEWIS moved that **HB 273 DO PASS.**

Motion: REP. LEWIS moved that **CONCEPTUAL AMENDMENT TO HB 273 BE ADOPTED.**

REP. LEWIS said the conceptual amendment would allow the board of housing to run a housing revolving fund with this $3.5 million of TANF money. We needed a change in the board of housing statute to make sure the money was used in the approved way under the TANF program.

CHAIRMAN VICK said it looked like this bill was a transfer of funds and we did that in HB 2. Since it is only a transfer of funds and the transfer is contingent on language in HB 2, he said he doesn't understand why it is needed.

Legislative Staffer Taryn Purdy said currently this fund allows uses that TANF does not allow. If you are going to transfer the money in there, the statute needs to be changed to insure that TANF funds are used in accordance with the federal. In HB 2, you appropriated the funds; this bill actually transfers the funds into the account so they can be appropriated. It is a language appropriation only in this bill. The amendment changes the statute and that is within the scope of the bill.

Motion/Vote: REP. LEWIS moved that **CONCEPTUAL AMENDMENT TO HB 273 BE ADOPTED. Motion carried unanimously.**

Motion/Vote: REP. LEWIS moved that **HB 273 DO PASS AS AMENDED. Motion carried unanimously.**

EXECUTIVE ACTION ON HB 324

REP. MCCANN asked if there is both a funding issue and a language issue on HB 324. **CHAIRMAN VICK** said he thought **REP. MANGAN** indicated he would accept an amendment so the bill would not cost any money and they could do it with existing resources. Is that correct? **REP. TROPILA** said he thought that informational witness Mr. Hudson agreed, he said it could be accommodated presently. **REP. BUZZAS** said her notes indicate they would not need general fund, but they need the statutory authority allowed in the bill.

CHAIRMAN VICK said they have an amendment, HB032401, EXHIBIT(**aph56b07**), that says no separate appropriation of state money is necessary to carry out this bill. If we are going to pass this bill, he would like to have this amendment on it to make the intent clear.

be allowed to do something they would be required to do anyway in order to comply with permit requirements.

SEN. JERGESON asked what was a non-state, state special revenue account. He wondered if the auditors had looked at that. **Mr. Chisholm** noted that the State Auditor's office and the Department of Administration, that oversees the fund structure, had looked at it. The DEQ was the first agency written up for failure to comply with the law and the technical problems with it. He explained the non-state, non-federal state special revenue accounts were where off-budget revenue could be deposited whether it is monetary or non-monetary proceeds. That would give spending authority for that revenue as an off-budget, non-HB 2 issue.

Closing by Sponsor:

REP. HAINES closed on the bill advising the bill would result in a simple, straightforward process to make bookkeeping easier.

HEARING ON HB 57 AND HB 273

Sponsor: REP. RON ERICKSON, HD 64, Missoula

Proponents:
Kate Cholewa
Judy Smith, Homeword
Sharon Hoff-Brodowy, Montana Catholic Conference
Mary Borchard, Montana People's Action
Jane Ragsdale, Montana People's Action
Roger Halver, Montana Association of Realtors
Steve Yeakel, Montana HRDC Directors Association
Betty Whiting, Montana Association of Churches
Tim Davis, Montana Smart Growth Coalition
Byron Roberts, Montana Building Industry Association
Wendy Young, Working for Equality and Economic Liberation
Kelly Pollington, Montana People's Action
Alana Mueller, Montana People's Action
Rebecca Holloway, Montana People's Action
Rhonda Carpenter, Montana Housing Providers
Mathew Rude, Montana Board of Housing

Opponents:

Opening Statement by Sponsor:

REP. RON ERICKSON, HD 64, Missoula, distributed a personal handout to each Senator detailing affordable housing in their districts. He explained HB 57 would transfer $500,000 from Section 8 Housing into the Affordable Housing Revolving Loan Account. HB 273 would transfer $3.5 million into the Affordable Housing Revolving Loan Account from general TANF. He asserted that money was already in HB 2. The second reason for HB 273, was that the revolving loan account as originally established did not imagine TANF money coming into it, and there was a need for language authorizing the use of TANF funds. The loan account would be allowed to loan money for construction and to folks to buy a home. TANF monies do not allow for construction. HB 57 would put the money into the account and allow the money to be used for construction as well as loans for people buying homes. TANF money can be used for housing counseling and specific loans for folks buying their first home. A bill by **SEN. CHRISTIAENS** in 1999 set up the revolving loan account but no funds were put into the account. He recounted the work of the Tax and Revenue Interim Committee. He said that **SEN. MIGNON WATERMAN** found an administrative fund in Section 8 Housing that hadn't changed in about six or seven years with about $3.6 million. She wondered if it could be used for housing in a revolving loan account. Originally, she wanted $2 million, the interim committee decided on $1.6 million, and in House Taxation Committee the amount was amended to $500,000.

Proponents' Testimony:

Kate Cholewa, presented the testimony for **Ren Essene, housing developer, and Director of Homeword.** She noted it was not a new program, but would put money not being used in other areas into a loan program created in the 1999 session. HB 57 would create new housing stock and HB 273 would help families access the housing through low interest loans, rental assistance and home-ownership counseling.

Judy Smith, Homeword, spoke about the need in every community for affordable housing. She noted she represented a coalition effort. She advised that affordable housing was a priority in the state and that existing resources should be moved into a program to either build housing or get folks into housing.

Sharon Hoff-Brodowy, Montana Catholic Conference, testified that housing was a basic right on which family stability depended. She supported moving the money into the revolving loan fund.

Mary Borchard, Montana People's Action, said her organization worked to increase opportunities for affordable housing in Montana. She expressed support for HB 57 and HB 273. She contended home ownership was good for families and communities.

Jane Ragsdale, Montana People's Action, read the testimony of Kendal Wolcott. He recently became a homeowner for the first time in Billings with help from MPA and Homeword. Given his family size and income level, he never thought home ownership possible. He noted the benefits of home ownership and urged a yes vote on HB 57 and HB 273.

Roger Halver, Montana Association of Realtors, asked for support of HB 57 and HB 273. He felt that both pieces of legislation provided a tool for low income families to get into housing. He described the housing shortage for low income people in Montana, which was especially acute in university areas. He advised that in other states with revolving loan accounts, the money going into the accounts had been leveraged up to seven times. He noted the account would be administered by the Montana Board of Housing, where there was a successful track record of administering such programs.

{Tape : 2; Side : A}

Steve Yeakel, Montana Human Resources Development Council Directors Association, advised affordable housing was a major concern. He urged concurrence with HB 57 and HB 273.

Betty Whiting, Montana Association of Churches, reported from a study by **Dr. Paul Miller, University of Montana**, of those using food banks in seven counties. The average income for those of FAIM was $628 and those not on FAIM was $738. Housing costs were $271 and $350 respectively. When utilities were included, housing costs were 62.7 percent and 86.1 percent of total income. Housing costs and food were the biggest obstacles for becoming self-sufficient. She gave examples of people who were homeless.

Tim Davis, Montana Smart Growth Coalition, reasoned that affordable housing was an essential part of any healthy community. He stated HB 47 and 273 would address that and urged support.

Byron Roberts, Montana Building Industry Association, advised there was a true housing affordability problem in Montana. He stated that since 1990, housing costs had doubled, lot costs had tripled, and salaries had remained relatively stagnant. In 1990,

the Board of Housing financed 1 out of every 10 home purchases in the state. In 2000, they financed one out of every four. According to the Department of Housing and Urban Development, no more than 1/3 of income should be spent on housing. He noted Montanan had one of the highest rates of home ownership at 70 percent. For the other 30 percent, home ownership was virtually impossible. The average price of a new home last year in Montana was $150,000 and going up. He advised government had traditionally been involved in assisting people with housing. He felt the money was appropriately spent in the revolving loan account and urged passage of HB 57 and 273.

Wendy Young, Working for Equality and Economic Liberation, testified housing provided stability, a sense of pride, and commitment to one's community and those were values they wished to promote. She urged passage of the bills.

Kelly Pollington, Montana People's Action, read testimony of **Mary Smith, Montana People's Action,** in support of HB 57 and 271. The bills would make home ownership affordable to more people in Montana, including those with disabilities.

Alana Mueller, Montana People's Action, supported HB 57 and 273. She stated she had an undergraduate degree and made low wages. She noted passage of the bill would make home ownership more possible.

Rebecca Holloway, Montana People's Action, testified there was not enough money available through Homeword to meet the need. She urged passage of HB 57 and 273.

Opponents' Testimony:

Rhonda Carpenter, Montana Housing Providers, testified she served on the Governor's Housing Task Force and supported the Housing Trust Fund. She also served on the Montana Board of Housing. She opposed HB 57. She advised of problems in the Section 8 program that had been solved. However, the federal government was no longer paying deposits and lead based paint tests were being required. She indicated the fund had grown from Section 8 grants, but that the program was starting to dip into the fund. Section 8 served 6000 families who were not potential home owners. She felt cutting into the administrative fund would jeopardize the Section 8 program. She built a case for the costs to landlords of slowing down the Section 8 process. She felt there were other sources of funding, such as Fanny Mae, to accomplish the goal of home ownership.

Informational Testimony:

Mathew Rude, Montana Board of Housing, advised they would be administering the loan program and would be available for questions.

Questions from Committee Members and Responses:

SEN. CHRISTIAENS stated there was $3.6 million in the administrative fund and the federal government had stopped sending money to Montana. He asked if there was a spend-down requirement by the federal government. **Mr. Rude** said they were still getting federal funding on a yearly basis and there was no spend-down. He said the lead based paint requirements were the biggest issue; it was unclear how much money would be needed for training. **SEN. CHRISTIAENS** asked if the plan was to use some of the $3.6 million for training purposes for lead based paint. **Mr. Rude** said inspections were required and inspectors needed to be trained. **SEN. CHRISTIAENS** asked how much the fund had grown per year. **Mr. Rude** said it hadn't grown in about seven years and had been maintained at about the same level. He said the state got a certain amount of money from the HUD program to run its program and had stayed within those bounds for the last seven or eight years. Two years ago they took about $300,000 or $400,000 out of the fund and would take about that amount this year. **SEN. CHRISTIAENS** asked if taking $500,000 from the fund would be harmful. **Mr. Rude** indicated it was unknown how many units would need to be re-furbished due to lead based paint. **SEN. CHRISTIAENS** asked if federal money would be available to assist in the lead based paint effort. **Mr. Rude** said it had not been earmarked and there was no specific dollar amount.

SEN. JOHNSON asked if the Board of Housing was charged with administering the revolving loan program but since there was no money in it up until now, if there was no experience with the program. **Mr. Rude** said that was correct. **SEN. JOHNSON** asked if the rules had been written for the program. **Mr. Rude** said they were not written yet. **SEN. JOHNSON** asked if they would have to be written differently than the rules under which other low income programs were operated. **Mr. Rude** allowed that there would be differences. **SEN. JOHNSON** asked if there was no problem with handling the program administratively within the Board of Housing. **Mr. Rude** advised they would not be doing the paperwork or loan servicing. That would be done at the local level with groups like the Homeword program.

SEN. CHRISTIAENS asked why the rules had not been written and adopted since the bill passed in 1999. **Mr. Rude** said it was partly because there was no funding in the account. He indicated the rules would have to be written differently because of the TANF. New construction could not be done with TANF money. Rules would have to be written specifically to funding type.

SEN. BILL TASH asked if the availability of the revolving loan account to tap into TANF had been addressed in the bill. He asked if there were amendments on either bill to address the concerns regarding Section 8 reserve funds or the transfer of TANF fund to be used in the revolving fund. **Mr. Rude** said he was not aware of any. **REP. ERICKSON** advised the fiscal note was for the bill as originally written. In the newest version of the bill, Section 1 line 19-21 solved the problem that was noted in technical note #1 in the fiscal note. He acknowledged that TANF funds could not be used for construction. He noted that .5 FTE would be needed.

SEN. JACK WELLS asked **Judy Smith** about the size of an apartment in Gallatin County with the average rent of $531. **Ms. Smith** said the figures came from the Montana Consolidated Plan. She thought as an average, it probably included everything from one to three bedrooms. **SEN. WELLS** asked if a two bedroom with one bath would be average. **Ms. Smith** said that in Missoula, that amount of rent would be for less than two bedrooms. **SEN. WELLS** asked **Byron Roberts** *{Tape : 2; Side : B}* why housing costs had doubled since 1990. **Mr. Roberts** stated it was primarily due to land costs, regulatory costs, and infrastructure costs. He said housing costs had gone up commensurate with housing costs nationwide. As other things became inflated, housing costs became inflated. **SEN. WELLS** asked **Ms. Borchard** if **Montana People's Action** ever opposed property tax increases, impact fees or additional regulations that forced costs to go up. **Ms. Borchard** thought they did.

Closing by Sponsor:

REP. ERICKSON closed on the bills. He did not believe that the Fanny Mae money would make a difference to those with low income. He said that was not the way that money could be used. The revolving loan money could be used that way. He disagreed that the use of $500,000 from the reserve fund would jeopardize the Section 8 program. He indicated that the next session would look at how the housing fund worked and whether more money from TANF could go into it. He was hopeful **SEN. JON ELLINGSON's** bill would put another source of funding into the revolving loan program.

Vote: Motion **HB 57 failed 8-10 with Christiaens, Jergeson, Johnson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.**

Motion/Vote: **SEN. MILLER** moved that **HB 57 BE TABLED. Motion carried unanimously.**

EXECUTIVE ACTION ON HB 273

Motion: **SEN. MCCARTHY** moved that **HB 273 BE CONCURRED IN.**

SEN. WATERMAN asked about the funding in HB 2 and she indicated the amount had been changed. **Hank Hudson, DPHHS**, maintained the money appropriated in HB 2 was decreased by three percent to pay for the earned income tax credit. **CHAIRMAN KEENAN** clarified that the $3.5 million was reduced to $3,415,928.

Motion: **SEN. WATERMAN** moved **TO ADJUST THE TRANSFER AMOUNT TO REFLECT THE AMOUNT LEFT IN THE LINE ITEM IN HB 2 TO $3,415,928.**

SEN. ZOOK asked if there was money for that. **SEN. WATERMAN** answered yes, it was in HB 2 and it came out of the TANF IIR funds. She indicated the money had been there and not been spent in ten years.

Vote: Motion to **AMEND carried unanimously.**

Motion/Vote: **SEN. MCCARTHY** moved **HB 273 BE CONCURRED IN AS AMENDED. Motion failed with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, and Waterman voting yes.**

SEN. JOHN COBB asked what would happen with the money that was there. He wondered if there would be a revolving account created. **SEN. WATERMAN** said the money was there and had been appropriated for the loan account. **Mr. Hudson** said they would need to see if it was a restricted line item in HB 2. **SEN. WATERMAN** assumed that the money wouldn't be transferred, but used for low income housing needs of TANF recipients. It would not go into the fund to be spent. **CHAIRMAN KEENAN** asked if it was a biennial appropriation with no restrictions. **SEN. COBB** asked if there would be flexibility. **Mr. Hudson** said the revolving loan account would be one of the vehicles to be looked at. The direction from the legislature was to use the $3.4 million for low income housing. Because it was not restricted, if they weren't able to use it for that purpose they would look for other purposes in FAIM IIR. **CHAIRMAN KEENAN** asked if it could go to the Affordable Housing Loan Account; he wondered if the department had the authority to do that. **Mr. Hudson** did not

think there was any prohibition for that. It could be used in the revolving loan account or for other housing purposes. **SEN. MCCARTHY** asked him to repeat. **Mr. Hudson** said the direction was to use the money for housing. Without the passage of HB 273, there were other ways to use the money for housing besides a revolving loan account. The revolving loan account was still an attractive option for getting some of the money used, but there were other ways to support housing besides that account. He thought the first thing he would do would be to call the Board of Housing and ask for their advice on the best way to support low income housing needs. **SEN. MCCARTHY** inquired if the money could be used for the Summer Youth Employment Program. Mr. Hudson replied that if they tried to use it for housing and couldn't use it all for housing, there were other uses in FAIM IIR. If nothing in FAIM IIR used the money up by March of 2002, and it appeared it would not, HB 2 required moving $1.5 million to the Summer Youth Employment Program. **CHAIRMAN KEENAN** asked **Mr. Hudson** to do some research, and the committee could reconsider their action if necessary. **SEN. JOHNSON** said since it was already in HB2, it could be straightened out in conference committee.

Motion/Vote: **SEN. MOHL** moved that **HB 273 BE TABLED. The motion passed on a voice vote.**

EXECUTIVE ACTION ON HB 105

Motion: **SEN. ZOOK moved that HB 105 BE INDEFINITELY POSTPONED.**

SEN. JACK WELLS noted he had seen something similar in a tour of the Department of Transportation. He thought they had the capability to take over the function of the bill.

Motion: **SEN. MILLER** moved a **SUBSTITUTE MOTION THAT HB 105 BE TABLED.**

Vote: **SUBSTITUTE MOTION carried 16-2 with Nelson and Waterman** voting no.

EXECUTIVE ACTION ON HB 318

Motion: **SEN. MCCARTHY** moved that **HB 318 BE CONCURRED IN.**

{Tape : 4; Side : A}

Motion: **SEN. KEENAN** moved that **AMENDMENT HB031801.AJM BE ADOPTED.**